

## Message Text

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ORIGIN ARA-03

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DRAFTED BY LA/DR:RCCRISLER

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R 012025Z AUG 75

FM SECSTATE WASHDC

TO AMEMBASSY TEGUCIGALPA

AMEMBASSY MANAGUA

AMEMBASSY SAN JOSE

AMEMBASSY SAN SALVADOR

UNCLAS STATE 182190

FOLLOWING REPEAT GUATEMALA 03349 ACTION SECSTATE DATED 1 JUN 75

QUOTE

UNCLAS GUATEMALA 3349

AIDAC

ROCAP

E.O. 11652: N/A

SUBJECT: BLANKSTEIN AND BAKER TDY - SMALL FARMER PURCHASE RESEARCH.

REF: GUATEMALA 2779

1. PROBLEM: UTILIZING THE TRADITIONAL CREDIT SYSTEM, CAN FI  
VIALE PROGRAM BE DEVELOPED FOR MAKING CREDIT AVAILABLE TO SMALL  
FARMERS FOR EITHER A) BUYING THE LAND THEY WORK AS TENANTS, OR  
B) ACQUIRING LIPUTED ADDITIO  
AL LAND TO WHAT THEY ALREADY OWN.

2. BACKGROUND: THE BOARD OF GOVERNOR'S FOR THE CENTRAL AMERICAN  
BANK FOR ECONOMIC INTEGRATION (CABEI) HAS MADE DECISION THAT IT  
WILL GIVE PRIORITY TO DEVELOPMENT OF THE RURAL POOR, AND CABEI  
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HAS BEEN DIRECTED BY THE BOARD TO ESTABLISH GUIDELINES FOR  
SELECTION OF PROJEDTS THAT MAKE A CONVINCING CASE THAT THE RURAL  
POOR GROUP WILL BE THE MAJOR BENEFICIARIES OF RURAL DEVELOPMENT  
LOANS TO BE FINANCED BY CABEI. AS PART OF THE PROCESS, CABEI HAS

INDICATED INTEREST IN EXPLORING THE FEASIBILITY OF FINANCING  
A SMALL FARMER LAND PURCHASE PROGRAM

3. COURSE OF ACTION: TO DETERMINE THE FEASIBILITY OF A  
FINANCIAL SYSTEM WORKING THROUGH NATIONAL INSTITUTIONS TO  
IMPLEMENT LAND PURCHASE PROGRAMS THAT WOULD SIGNIFICANTLY  
IMPACT ON PRODUCTION AND PRODUCTIVITY OF RURAL POOR, LAND  
TENURE WOULD BE ANALYZED AS A RESTRAINT TO IMPROVEING CON-  
DITIONS OF RURAL POOR. ROCAP AND CABEI WILL JOINTLY UNDER-  
TAKE ACTIVE RESEARCH PROGRAM UTILIZING FY 76 AND 77 TECHNICAL  
SKWPORT FUNDS TO EXAMINE THE FOLLOWING AREAS THATLRIRECTLY  
RELATE DETERMINING FEASIBILITY OF DESIGNING SMALL FARMER  
LAND PURCHASE LOAN FOR FY 78.

A. LAND TENURE PATTERN: A COUNTY BY COUNTRY ANANLYSIS OF  
THE LAND TENURE PATTERN MUST BE MADE SO AS TO SHARLPLY DEFINE  
WHAT THE LAND TENURE FROFILE IS IN EACH OF THE CENTRAL AME-  
RICAN COUNTRIES.

B. LAND SALE POTENTIAL: FOR EACH COUNTRY DETERMINE WHAT  
DEMAND AND SUPPLY FACTORS DETERMINE THE PRICE AT WHICH LAND  
IS FLD AND RENTED, THE INTEREST OF TENANT FARMERS IN LAND  
OWNERSHIP, HOW LAND PURCHASE PRICES COMPARE WITH LAND RENTAL  
RATES BY REGIONS, COUNTRIES, AND CROPS, AND IF PURCHASE  
PRICE IS A CONTRAINT TO SMALL FARMER PURCHASE.

C. LAND INSTITUTIONAL ANALYSIS FOR EACH COUNTRY TO DETER-  
MINE: 1) HOW NATIONAL LAND REFORM AGENCY FUNCTIO INCLUDING  
LLHAT LEGAL POWERS IT HAS, HOW IT PURCHASES, FINANCES AND  
REDISTRIBUTES LAND AND HOW MUCH OF YEAR-TO-YEAR IMPACT IT  
HAS. 2) LAND LEGISLATION, PROCEDURES FOR L  
ND REGISTRATION,  
TITLANG, TRANQUIER, AND TAXATION. 3) STATUS OF NATIONAL  
CADASTRAL SURVEYS AND LAND CLASSIFICATION PROGRAMS. 4)  
EXISTENCE OF PRIVATE AGENCIES, FINANCING, DEVELOPING AND  
TRADING LAND. 5) CAPACITY OF LOCAL SMALL-FARMER TO ACQUIRE  
OR FINANCE LAND.  
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D. MEDIUM AND LONG TERM CREDIT AVAILABILITY: 1) IDENTIFY  
INTERMEDIATE CREDIT INSTITUTIONS CAPABLE OF DELIVERING  
CREDIT HOR LAND PURCHASE. 2) ASSIST IN THE DEFINITION OF  
THE NATURE OF THE REALATIONSHIPS THAT CABEI WOULD HAVE WITH  
PUBLIC NATIONAL CREDIT INSTITUTIONS THAT CAN DELIVER CREDIT TO  
THE SMALL FARMERS.

4. ORIGINALLY ROCAP PLANNED TO UNDERTAKE THE STUDY DESCRIBED  
PARA 3 ABOVE IN CONTEXT OF ANTICIPATED REVIEW OF OPIC  
PROGRAM IN HONDURAS PER STATE 090100. DUE TO ADMINISTRATIVE  
PROBLEMS OF INITIATING MOSS AMENDMENT PROGRAM IT IS  
NOT POSSIBLE TO WAIT ANY LONGER AND ROCAP FEELS IT MUST  
INITIATE STUDY ON THIS PRIORITY ACTIVITY.

5. BLANKSTEIN AND BAKER WOULD BE EXPECTED TO REFINE FOCUS OF THE ACTION RESEARCH EFFORT DESCRIBED PARA 3 ABOVE AND MAKE SPECIFIC RECOMMENDATIONS HOW TO EXECUTE THIS RESEARCH ACTIVITY UTILIZING APPROXIMATELY \$25,000 IN FY 76 AND \$25,000 IN FY 77 OF TECHNICAL SUPPORT FUNDS LEADING TO EVENTUAL PREPARATION OF FY 78 FOR CAPITAL ASSISTANCE.

6. BLANKSTEIN AND BAKER SNOOULD FAMILIARIZE THEMSELVES WITH FOLLOWING REF.YQROR COMING TO ROCAP: 1) INTERCOUNTRY STUDY AID LAND SALE GUATANTEE PROGRAMS REFERRED TO STATE 148037. 2) IRR CABEI - SMALL FARMER RURAL LAND PURCHASE PROGRAM PREPARED BY ROCAP JAN., 75. 3) STUYE 090100. 4) MEMO - WILLIAM C. MORRIL, TA/AGR/ESP TO RONALB BOBEL, PPC/DPRE DATED FEB. 6, 75, ROCAP-CABEI SMALL FARMER RURAL LAND PRU-CHASE PROGRAM IRR (10,000,000). MEMO - BREEN TO KLNINE, MFEG. 5, 1975, ISSUES FOR THE DAEN - ROCAP IRR - SMALL RAMER TENURE AND PRODUCTION PROGRAM, JAN., 75, AND SUBSEQUENT INTERIM REPORT PREPARED BY USAID/EL SALVADOR.

7. PER REF. ROCAP STILL ANTICIPATING ARRIVAL OF BLANKENSTEIN AND BAKER ON/ABOUT JULY 15. PLEASE ADVISE AS TO THEIR AVAILABILITY AS SOON AS POSSIBLE SO TCET ROCAP CAN MAKE SPECIFIC PLANS.

8. PLEASE PASS CONTENTS THIS CTBLE TO PAUL HEBERT AND CHRIS BAKER OF CUNA. TRAGEN.

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MELOJZ  
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INGERSOLL

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